



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2001 AND ENDING December 31, 2001  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Thomas J. Herzfeld & Co., Incorporated

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

10491 SW 97th Avenue

(No. and Street)

Miami

FL

33176

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Cecilia Gondor

305-271-1900

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT

ACCOUNTANT whose opinion is contained in this Report\*

E. Leonard Pacun

(Name — if individual, state last, first, middle name)

7800 Red Road, South Miami, FL 33143

(Address)

(City)

(State)

Zip Code)

CHECK ONE

☒ ☐

Accountant

Accountant

is a resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

PROCESSED

P APR 05 2002

THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, Thomas J. Herzfeld, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Thomas J. Herzfeld & Co., Incorporated, as of December 31, 12 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

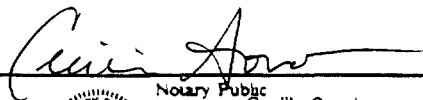
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Signature

President

Title





Notary Public  
Cecilia Gondor  
MY COMMISSION # CC983124 EXPIRES  
March 21, 2005  
BONDED THRU TROY FAIR INSURANCE, INC.

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Accounting Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

THOMAS J. HERZFELD & CO., INCORPORATED

AUDIT REPORT

DECEMBER 31, 2001

THOMAS J. HERZFELD & CO., INCORPORATED  
INDEX TO FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2001

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Thomas J. Herzfeld & Co., Incorporated

I have audited the accompanying statement of financial condition of Thomas J. Herzfeld & Co., Incorporated as of December 31, 2001, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Security Exchange Act of 1934. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Thomas J. Herzfeld & Co., Incorporated as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

E. LEONARD PACUN



South Miami, Florida  
February 11, 2002

THOMAS J. HERZFELD & CO., INCORPORATED  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

ASSETS

Cash and Cash equivalents (Note 2)	\$ 332,924
Commissions Receivable	57,840
Other Receivable	10,500
Investment (Note 4)	3,300
Trading Account (Note 5)	42,088
Fixed Assets at Cost, Net of Accumulated Depreciation of \$72,000 (Notes 1 and 6)	4,429
Other Assets	<u>4,212</u>
	<u>\$ 455,293</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accrued Expenses	\$ 47,158
Due to Clearing Broker	3,877
Due to Officer	<u>3,299</u>
	<u>54,334</u>
Commitments (Note 8)	
Stockholder's Equity:	
Common Stock, \$.01 par value:	
Authorized, 100,000 shares	
Issued and Outstanding, 30,000 shares	300
Additional Paid-in Capital	119,700
Retained Earnings	<u>280,959</u>
	<u>400,959</u>
	<u>\$ 455,293</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

THOMAS J. HERZFELD & CO., INCORPORATED  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUES:

Commissions	\$ 551,740
Trading Profits (Losses)	(43,249)
Interest and Dividends	<u>13,468</u>

TOTAL REVENUE \$ 521,959

EXPENSES:

Employee Compensation	\$ 538,009
Firm Trading and Floor Brokerage	5,919
Communications	4,640
Office	13,950
Taxes, Other Than Federal Income Taxes	30,927
Other	<u>116,069</u>

TOTAL EXPENSES 709,514

NET LOSS \$ (187,555)

The Accompanying Notes are an Integral Part of These Financial Statements.

THOMAS J. HERZFELD & CO., INCORPORATED  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001

	Common Stock \$.01 Par <u>Value</u>	Paid-in <u>Capital</u>	Retained <u>Earnings</u>	Stock- holder's <u>Equity</u>
Balance, January 1, 2001	\$300	\$119,700	\$ 468,514	\$ 588,514
Net Income (Loss)	<u>      </u>	<u>      </u>	<u>(187,555)</u>	<u>(187,555)</u>
Balance, December 31, 2001	<u>\$300</u>	<u>\$119,700</u>	<u>\$ 280,959</u>	<u>\$ 400,959</u>

The Accompanying Notes are an Integral Part of These Financial Statements.



THOMAS J. HERZFELD & CO., INCORPORATED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Cash flows from operating activities:

Net Loss \$ (187,555)

Adjustments to reconcile net loss

To net cash used in operating activities:

Decrease in commissions receivable 435

Decrease in due from clearing broker 40,432

Decrease in securities owned (net) 298,580

Increase in other assets (354)

Increase in accrued expenses 21,812

Net cash flows from operating activities \$173,350

Cash Flows from Financing Activities:

Increase in Due to Officer 9,312

Increase in other receivables (10,500)

Net cash flows from financing activities (1,188)

Net Increase in Cash \$ 172,162

Cash - December 31, 2001 \$ 332,924

Cash - January 1, 2001 160,762

Net Increase in cash \$ 172,162

Cash Paid During the Year for:

Income tax \$ 0

Interest 0

The Accompanying Notes are an Integral Part of these Financial Statements.

THOMAS J. HERZFELD & CO., INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies that affect the more significant elements of the Company's financial statements are summarized below. These policies have been applied on a consistent basis.

The Company operated as a broker-dealer in securities and is so registered with the United States Securities and Exchange Commission, the Florida Division of Securities and the National Association of Securities Dealers, Inc. Consequently, its record keeping is in accordance with the rules and regulations prescribed by these agencies.

Pursuant to an agreement between the Company and its clearing broker, customer securities transactions are introduced and cleared on a fully disclosed basis. The Company is exempt from provisions of Rule 15c3-3 under Section (k)(2)(B) and is not responsible for compliance with Section 4(c) of Regulation T of the Board of Governors of the Federal Reserve System, as all customers' accounts, as defined by such rules, are carried by the clearing broker. The Company is contingently liable to its clearing broker for any losses incurred on behalf of its customers' accounts. All security transactions with related income and expenses are recorded on a trade date basis.

The Company is subject to the "Net Capital Rule" of the Securities and Exchange Commission which requires that the Company's aggregate indebtedness as defined, shall not exceed 1500% of "Net Capital," as defined. At December 31, 2001, the Company's "Net Capital" was \$365,918 and the "Required Net Capital," as defined, was \$100,000. The ratio of "Aggregate Indebtedness" to "Net Capital" was 15%.

It is the Company's policy to include all money instruments with maturities of 30 days or less as cash or cash equivalent. Fixed assets are stated at cost and depreciated to salvage value. Expenditures for maintenance and repairs are charged to expense as incurred; expenditures for renewals and betterments are capitalized. The cost of assets sold, as well as the related accumulated depreciation, are removed from the accounts, with any gain or loss on disposition included in income.

The Company has elected S corporation status under the Internal Revenue Code to have its taxable income, whether distributed or not, taxed directly to its stockholder.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# NOTES TO FINANCIAL STATEMENTS

Page 2

## NOTE 2 - CASH AND CASH EQUIVALENTS:

Cash in Bank	\$ 18,576
Money Market Funds	<u>314,348</u>
TOTAL	<u>\$332,924</u>

## NOTE 3 - CONCENTRATION OF CREDIT RISK

The corporation maintains cash balances in bank and money market funds. The Federal Deposit Insurance Corp. insures bank balances up to \$100,000 each.

Uninsured balances amount to approximately \$314,348 at December 31, 2001.

Investment in Prudential Government Money Market	\$122,730
Investment in Vanguard Government Money Market	110,491
Investment in Fidelity Spartan U.S. Treasury Money Market Trust	<u>81,127</u>
	<u>\$314,348</u>

## NOTE 4 - INVESTMENTS:

Company holds 300 warrants NASD 6/28/02. While they are not marketable at the present time the directors have valued it at cost as the NASD will be going public shortly. It has not been classified or included in good capital. (This treatment has been approved by the NASD.)

## NOTE 5 - SECURITIES OWNED:

Security owned consist of the following:

Trading Securities	<u>\$ 42,088</u>
	<u>\$ 42,088</u>

Security positions are marked to the market monthly and the unrealized gains and losses are recorded in the Statement of Income.

## NOTE 6 - FIXED ASSETS:

Fixed Assets at December 31, 2001 consist of the following:

		Estimated Useful Life
Furniture and Fixtures	\$ 76,429	5 - 7 Years
Less: Accumulated Depreciation	<u>72,000</u>	
NET BOOK VALUE	<u>\$ 4,429</u>	

NOTE 7 - RELATED PARTY TRANSACTIONS

The president and sole stockholder of the Company is also the president and sole stockholder of Thomas J. Herzfeld Advisors, Inc., a registered investment advisor and he is the owner of the company's office building. The individual entities have common ownership and share common facilities and personnel. Various expenses including occupancy costs, salaries and other expenses have been allocated between Thomas J. Herzfeld & Co., Incorporated and Thomas J. Herzfeld Advisors, Inc. based upon services rendered by common personnel and usage of common facilities. Intercompany expenses amounted to \$479,240.

NOTE 8 - COMMITMENTS:

The Company entered into an employment contract with an officer whereby the officer will receive a salary of \$300,000 per year, plus additional compensation as determined by the Board of Directors. This contract is renewable annually.

The Company leases space for its office, from Thomas J. Herzfeld, 100% stockholder of this company, under a five year lease at an annual rental of \$48,000. The lease expires November 30, 2002. 50% of the annual rental is allocated to Thomas J. Herzfeld Advisors, Inc.

Rental payments under the lease are summarized as follows:

2002	\$44,000
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## SUPPLEMENTARY SCHEDULES

THOMAS J. HERZFELD & CO., INCORPORATED  
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1  
DECEMBER 31, 2001

Total Stockholder's Equity from Statement of Financial Condition	\$ 400,959
Deduct - Nonallowable Assets and Other Charges (Exhibit 1)	<u>22,441</u>
Net Capital Before Haircuts on Securities Positions	378,518
Haircuts on Securities Positions	<u>12,600</u>
Net Capital	365,918
Required Capital	<u>100,000</u>
Excess Net Capital	<u>\$ 265,918</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Accrued Expenses	\$ 47,158	
Due to Officer	3,299	
Due to Clearing Broker	<u>3,877</u>	
Aggregate Indebtedness		<u>\$ 54,334</u>

Ratio of Aggregate Indebtedness to Net Capital - 15%

THOMAS J. HERZFELD & CO., INCORPORATED  
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1  
DECEMBER 31, 2001

NONALLOWABLE ASSETS AND OTHER CHARGES

Other Receivables	\$ 10,500
Investment	3,300
Fixed Assets at Cost Less Accumulated Depreciation	4,429
Other Assets	<u>4,212</u>
	<u>\$ 22,441</u>

Schedule 2  
Schedule 3

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
PURSUANT TO RULE 15c3-3  
INFORMATION RELATING TO THE POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3

The Company is not required to file the above schedules as they are exempt from Rule 15c3-3(k)2B as all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

THOMAS J. HERZFELD, & CO., INCORPORATED  
RECONCILIATION OF COMPUTATION OF NET CAPITAL  
PER UNIFORM NET CAPITAL RULE 15c 3-1 TO  
COMPANY'S CORRESPONDING UNAUDITED  
FORM X-17A-5 PART 11A FILING  
DECEMBER 31, 2001

NET CAPITAL PER COMPUTATION \$ 400,959

Adjustments:

Accrued Expenses	979
Due to Officer	3,299
Other Assets	<u>(3,203)</u>

NET CAPITAL PER COMPUTATION INCLUDED  
IN THE COMPANY'S UNAUDITED FORM  
X-17A-5 PART 11A FILING \$ 402,034

SUBORDINATED DEBT

The Company did not have subordinated debt as of December 31, 2001 or at any time during the year then ended.



February 11, 2000

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

To the Board of Directors  
of Thomas J. Herzfeld & Co., Incorporated

In planning and performing my audit of the consolidated financial statements and supplemental schedules of Thomas J. Herzfeld & Co., Incorporated for the year ended December 31, 2001, I considered its internal control, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the consolidated financial statements and not to provide assurance on the internal control.

Also as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), I have made a study of the practices and procedures that I considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

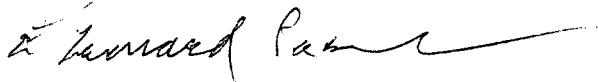
The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the SEC's preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in an internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, Management, the SEC [Designated self-regulatory organization], and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



E. Leonard Pacun, CPA  
South Miami, Florida  
February 11, 2002